

US-Azerbaijan Economic Partnership Commission

Joint Communiqué

February 7, 2007

The Government of the United States of America and the Government of the Republic of Azerbaijan, recognizing their strong mutual interest in strengthening and deepening dialogue on economic and commercial issues and in ensuring Azerbaijan's continued, sustainable development, sound use of its energy resources, successful transition toward a market economy, crucial continuing role in Eurasian energy security and in the southern energy corridor, and development as a regional economic leader, have expressed their intention to elevate the existing framework of mutual economic cooperation, the United States-Azerbaijan Bi-national Task Force on Economic Reform, Market Assistance and Cooperation, and to establish the higher level United States-Azerbaijan Economic Partnership Commission (EPC).

The Governments of the Republic of Azerbaijan and the United States of America convened the inaugural session of their bilateral Economic Partnership Commission in Baku on February 7, 2007. The Economic Partnership Commission, chaired by Minister of Finance Samir Sharifov and Assistant Secretary of State for Economic, Energy and Business Affairs Daniel Sullivan, plans to meet on an annual basis to strengthen and deepen economic and commercial engagement between Azerbaijan and the United States of America.

To underscore both countries' interest in elevating the bilateral economic relationship, on February 6 the U.S. EPC delegation, led by Assistant Secretary Sullivan, met with Azerbaijani President Ilham Aliyev and briefed him on the new Economic Partnership Commission's goals and activities.

Recognizing their mutual interest in ensuring Azerbaijan's continued, sustainable development, sound use of its energy revenues, successful transition toward a market economy, and continued role as both an energy producer and linchpin of the East-West energy corridor, the Governments of the Republic of Azerbaijan and the United States of America share the view that regular, high-level dialogue on economic and commercial issues is an essential element of the bilateral relationship. As part of that dialogue, the two governments intend to pursue cooperation on the following measures:

- **Macroeconomic Policy and Development:** Recognizing the positive measures the Government of the Republic of Azerbaijan already has enacted to ensure that its energy revenues are safeguarded and invested wisely to promote the welfare of the people of Azerbaijan, the Governments of the Republic of Azerbaijan and the United States of America intend to broaden the exchange of views on macroeconomic policy and development issues.

Recognizing the positive role that the State Oil Fund plays in ensuring long-term, sustainable economic development of Azerbaijan, the United States of America

and Azerbaijan signed Phase II of the U.S. Trade and Development Agency Technical Assistance Agreement that is intended to develop the Oil Fund's portfolio asset allocation strategy.

- **Trade and Investment Climate:** Recognizing that diversification of Azerbaijan's economy is essential to its continued development and long-term prosperity, the Governments of the Republic of Azerbaijan and the United States of America recognize that changes in Azerbaijan's trade and investment climate are needed to develop Azerbaijan's non-energy sectors. To that end, the governments of the two countries believe that Azerbaijan's accelerated accession to the World Trade Organization (WTO), based on implementation of WTO provisions and commercial market access commitments, will help create the legal and regulatory environment necessary to attract trade and investment, and pledged that:
 - The Government of the Republic of Azerbaijan will intensify its efforts during 2007 to implement WTO provisions, guided by its WTO Action Plan; and
 - The United States and Azerbaijan will explore support for Azerbaijan's WTO accession through the possible provision of bilateral technical assistance.

The two governments also understand that further measures are required to improve Azerbaijan's trade and investment climate. Specifically, the Government of the Republic of Azerbaijan expressed its intention to submit the following legislation for Parliamentary consideration within the next six months: (1) a comprehensive Anti-Money Laundering and Counter Terrorist Financing law; (2) a Conflicts of Interest law; and (3) an Ethics Code for Civil Servants. Amendments to the Criminal Code creating Criminal Liability for Corporations/Legal Persons are under consideration. In order to strengthen transparency in its legislative process and provide open access to Azerbaijan's legal system, the Government of Azerbaijan also expressed its intention to update, manage and make available to the public the legislative database created with available U.S. Government funding.

The two governments also discussed ongoing cooperation in the area of telecommunications and information technology, recognizing that this sector could play an important role in ensuring the diversification and sustainability of Azerbaijan's economy. Building on a Memorandum of Understanding signed in September 2006, the two countries reviewed existing exchange programs and discussed Azerbaijan's plans to develop a Regional Innovation Zone. They also decided to establish a permanent working group to facilitate cooperation in the telecommunications and information technology sector.

In order to facilitate trade between Azerbaijan and the United States of America, the governments of the two countries signed an Agreement on Mutual Assistance

and Cooperation in Customs Matters. The two countries also decided to explore ways to strengthen and expand existing cooperation in the field of customs and border services, with the aim of increasing transparency and efficiency in this vitally important area.

In order to increase bilateral commercial cooperation, the United States announced that the Commerce Department is sending a senior level official to Azerbaijan in 2007 to: explore business opportunities for U.S. companies, advocate on behalf of current commercial projects and work with Azerbaijani government officials to improve market access for U.S. goods and services. As a follow up to this visit, the Department intends to conduct outreach events and information sessions in the United States highlighting trade and investment opportunities in Azerbaijan.

- **Development Assistance Partnership:** Recognizing that continued bilateral, technical assistance is essential to help Azerbaijan develop a diversified and sustainable economy, the Governments of the Republic of Azerbaijan and the United States of America decided that a new approach, which would incorporate co-financing in certain sectors, would strengthen our already strong levels of bilateral assistance and help ensure that Azerbaijan's energy revenues are invested for the benefit of the Azerbaijani people. To that end, the two governments intend to develop a sector-by-sector approach that would outline the two governments' expected shared financial contributions in current and future bilateral technical assistance programs.
- A permanent Co-financing Working Group is to be created to establish the mechanisms, timeline, and incremental percentage increases in the Government of Azerbaijan share of project costs. The Co-financing Working Group is to provide its recommendation to the Parties no later than June 30, 2007. The Government of the Republic of Azerbaijan is to include its co-financing share in a discrete line item within subsequent annual national budgets.

The Governments of the Republic of Azerbaijan and the United States of America have already been involved in the cost-sharing of USAID programs. The two governments also signed Memoranda of Understanding reconfirming the substance and financial contributions of the Governments of the Republic of Azerbaijan and the United States of America for the following projects:

- 1) National rollout of the Ministry of Finance Treasury Information Management System
- 2) Implementation of the Public Investment Policy Project,
- 3) Health Sector Reform Project,
- 4) Nationwide expansion of the Emergency Medicine Development Initiative and,
- 5) Parliament Strengthening Project.

Recognizing the vital role that agriculture can play in Azerbaijan's sustainable development, the two countries also decided to explore ways to strengthen and deepen cooperation in this key sector.

During the meeting, the Governments of the Republic of Azerbaijan and the United States of America announced new bilateral cooperation aimed to help strengthen Azerbaijan's efforts to diversify its economy and ensure its continued sustainable development. Specifically:

- The Governments of the Republic of Azerbaijan and the United States of America intend to co-sponsor a workshop on energy-efficient, earthquake-resistant building materials in June 2007. The workshop, part of the two countries' energy dialogue, is to focus on new technologies that can maximize the safety and efficiency of Azerbaijan's building sector.

The Co-Chairs or their designees are to speak on a quarterly basis via direct video conference to review progress in all areas. The next meeting of the Economic Partnership Commission is to take place in Washington, DC in February 2008.